

1                   CHAIRPERSON JAMES:

2   At this point, I'd open it up for discussion, dialogue,  
3   comments. Let's start with Commissioner Lanni and then  
4   we'll go to Commissioner Wilhelm.

5                   COMMISSIONER LANNI: Mr. Gleason raised an  
6   issue that I wanted to ask counsel's advice and maybe  
7   we can ask the executive director to check into this.  
8   I'd like to get an opinion from counsel as to the  
9   appropriateness of members of this Commission issuing  
10  press releases relative to Commission business  
11  especially prior to the hearings that we were going to  
12  discuss, with specific reference to Commission Dobson.  
13  Unfortunately he is not here at the moment, but I  
14  really would like to have some determination of that.

15                  We had discussion at a meeting in  
16  Washington, D.C. at Dulles Airport, and as I recall  
17  from that discussion, I think the transcripts would  
18  support this, that we determined that all press  
19  releases would be issued by the Commission through the  
20  Chairman, and I'd like to have an opinion from counsel  
21  as to the appropriateness of this, for future  
22  reference.

23                  CHAIRPERSON JAMES: Was that a Commission  
24  press release?

1                   COMMISSIONER LANNI:    Again, I think the  
2 transcript should be reviewed and I would like  
3 counsel's opinion.

4                   But if I may move on to some questions, if  
5 I may, the question I have and maybe Ms. Paul would be  
6 best able to answer this, is of the 37 states and the  
7 District of Columbia that have lotteries, how many of  
8 those are in existence because of a vote of the people  
9 through an initiative referendum or a ballot issue in  
10 whatever factor?

11                  MS. PAUL:   I'm not sure about the District  
12 of Columbia.   Of the 37, 27 of them went before a  
13 ballot of the people and 10 of them were voted on by  
14 their elected officials representing the people.   So,  
15 10 went to a legislative process, 27 went first to a  
16 vote of the people and then through the legislative  
17 process to structure how they'd operate.

18                  COMMISSIONER LANNI:   Thank you.

19                  The second question pertains to and, again,  
20 you don't have the benefit, I suspect you won't be here  
21 this afternoon, but there is a gentleman named Robert  
22 Goodman, who represents something referred to as the  
23 United States Gambling Research Institute in  
24 Northampton, Massachusetts, wherever that might be, and

1 he has a prepared report, which has been submitted to  
2 us only in the last few moments because it probably was  
3 just delivered to staff in that period of time.

4 But there are some questions that he's  
5 asking or points that he's raising that I think you'd  
6 be far better able to answer. And if I may, from his  
7 particular document that he will be presenting, it  
8 talks about some of the questionable practices that  
9 exist in lotteries. And one he talks about, he says,  
10 last year, the Colorado State Lottery was embarrassed  
11 into admitting that it had hired a behavioral research  
12 firm called Mind Sort -- it sounds kind of interesting,  
13 George Orwellian -- which analyzed which parts of the  
14 brain people use to gamble. The public and  
15 legislatures only learned of this after there were a  
16 number of television and newspaper stories about this  
17 practice. Are you familiar with this situation?

18 MS. PAUL: No. I'm not, but what I'd be  
19 more than happy to do is have the Colorado lottery  
20 director provide the Commission with a written response  
21 to that question. What I'd be more than happy to do is  
22 have the Colorado lottery director provide the  
23 Commission with a written response to that questions

1                   COMMISSIONER LANNI:    In Massachusetts, the  
2   state lottery, in its zeal to increase revenues, has  
3   shown an unusual disregard for the mandates of the  
4   state legislature.  Last year, according to a series of  
5   investigative reports in The Boston Globe, followed by  
6   a legislative committee report, the lottery was said to  
7   have circumvented a legislative cap on advertising by  
8   distributing \$8 million dollars worth of free play  
9   coupons to businesses, as a substitute currency, in  
10   exchange for advertising and promotion.

11                  Again, you may not be able to respond to  
12   this, but possibly the director from Massachusetts who  
13   was here obviously earlier, but before I received this  
14   document, I think it would be helpful to the Commission  
15   to have point and counterpoints since Mr. Goodman will  
16   be raising these issues and I think they're deserving  
17   of responses.

18                  So, with permission of the Chair, it would  
19   be helpful to have a response from those two  
20   individuals to these particular points.

21                  MS.   PAUL:           If it's all possible,  
22   Commissioner Lanni, I will try and get responses before  
23   this afternoon's testimony through phone calls.  If I  
24   can't before this afternoon's testimony, then I

1 certainly will have those particular lottery directors  
2 respond in writing.

3 COMMISSIONER LANNI: And since this is  
4 becoming a part of the public record, I suspect that  
5 staff can provide you with a copy of the specific  
6 documents that relate those questions.

7 CHAIRPERSON JAMES: I think they're  
8 already, are they already on the back table, the  
9 testimony.

10 MS. PAUL: It's available to you back there  
11 and we would really appreciate that.

12 CHAIRPERSON JAMES: No problem.

13 COMMISSIONER LANNI: Thank you, very much.

14 CHAIRPERSON JAMES: Commissioner McCarthy.

15 COMMISSIONER MCCARTHY: Ms. Paul, I  
16 appreciate that when we ask you to comment about how  
17 lotteries in other states are running, the mere fact  
18 that you're head of the National Association doesn't  
19 really put you in a comfortable position of critiquing  
20 what's going on. So, I'm not going to ask you about  
21 any particular practices in Colorado or elsewhere.  
22 I've read that same story in previous newspaper  
23 accounts of it, nor would I ask Mr. Gleason.

1           But I would ask either of you, starting  
2 with you Ms. Paul and Dr. McGowan, you too, please,  
3 with this backdrop. This Commission is undertaking a  
4 lot of outside research and we're seeking objective  
5 people that don't come from any particular industry or  
6 point of view that's so completely dedicated on this  
7 subject pro or con. And one of the areas we're looking  
8 at are lotteries and how they're functioning because  
9 the charge of the Congress in the enabling statute that  
10 created this Commission was to look at the social and  
11 economic consequences of all forms of legal gambling in  
12 the United States and of course, lotteries now, as  
13 enormous revenue generators, are a part of that study.

14           Now, we don't have any naive assumptions  
15 that the 37 states that have lotteries are going to be  
16 persuaded to repeal them if there were some case that  
17 could be made to do that, but already in the brief time  
18 that we're looking at this, we see that there are  
19 accounts of certain kinds of practices and we're not  
20 assuming that that's general across the states because  
21 it's coming to us, so far, anecdotally from certain  
22 lotteries. So it's certainly premature to suggest it's  
23 any kind of national pattern. We don't know that.

1                   But with that backdrop, let me take a  
2 couple of quotes that you gave in your testimony, Ms.  
3 Paul, and ask you to try and help us reconcile these  
4 things. You said it's the board's duty to maximize  
5 revenues and I think I wrote down that quote  
6 accurately. Then you also said it's their duty to  
7 operate in a socially responsible manner. Now, maybe  
8 those two things are not always an easy fit, and let me  
9 ask you specifically about a couple of ideas that were  
10 presented by the previous panel. One, do you think it  
11 appropriate, at least in some states where they have a  
12 history of certain forms of advertising, the Mind Sort  
13 idea and so on.

14                   Is it appropriate to have some sort of  
15 separate entity, whether it's a single individual,  
16 whether it's a small commission of some kind,  
17 overseeing certain functions of the lottery operation  
18 itself? I'm not talking about auditing and so on  
19 because usually there are state officials, a treasurer  
20 or state controller who are already assigned the  
21 responsibility and that seems to be going all right.  
22 I'm talking about things like the form of advertising  
23 that may occur. We've got a number of interesting  
24 comments on whether advertising is overreaching or not.

1                   And secondary, apart from advertising, I'm  
2 talking about the notion of, as lottery revenues go  
3 flat, of seeking different kinds of instruments, video  
4 lottery terminals, is the line as it's been suggested  
5 in earlier testimony, between what some of the things  
6 that casinos do and some of the things that lotteries  
7 do and try to getting people to bet, is that beginning  
8 to blur a little bit and so do we need someone  
9 independent?

10                   The impression we get again and again is  
11 that the commissions that regulate lotteries and the  
12 directors who are the chief administrative officers of  
13 those lotteries, they're doing everything they can to  
14 maximize revenue and no one is saying, wait a minute,  
15 we're a public body, we're a state government. We're  
16 suppose to be representing a certain value structure  
17 here. No one seems to be saying, well, gee, is that  
18 kind of advertising, you know, is that correct?

19                   And I'm not saying that this is Georgia or  
20 Kentucky, my impression of Georgia is you folks  
21 probably have done the best job of dedicating revenues,  
22 you know, once you get past the question of propriety  
23 of government promoting gambling in the first place,  
24 you folks seem to have done a good job so you don't

1 have problems of gee, this is for education, but then  
2 you have less appropriations going into education so is  
3 it substitution, or is it really new money? I mean,  
4 you solved that in a different way. So, this isn't any  
5 comment on either of your states. And without naming  
6 any other states, would you comment on these couple of  
7 things that I've referred to.

8 MS. PAUL: Well, first of all, I think your  
9 first question had to do with separation, and as I  
10 heard the last panel, we talked about it, some of you  
11 and some of the panel members talked about it, is it  
12 appropriate for the people who administer it to oversee  
13 it? Without divulging which political party, I have  
14 worked in two states where I worked for the  
15 administration of a governor of one political party  
16 where the House and Senate Oversight Committees were  
17 controlled by the other political party. That's about  
18 as much separation as you can get in terms of  
19 oversight.

20 So, the people who administrated the  
21 lottery came of the executive branch of government, the  
22 oversight committees come from the legislative branch  
23 of government. In addition, the type of committee  
24 you're talking about is exactly what exists in Georgia

1 and, I believe, in Kentucky an absolutely separate  
2 seven member volunteer board, who are presidents of  
3 corporations and lawyers and CPA's, who care a great  
4 deal about social responsibility who approve everything  
5 that we do, to see to it that while we're maximizing  
6 revenues. Because t here is the belief in Georgia that  
7 the programs we fund are very, very important, that we  
8 do so in a socially responsible way.

9           And yet the third way that social  
10 responsibility certainly becomes audited is the fact  
11 that every single thing that a state lottery does is  
12 subject to open records and a great deal of scrutiny by  
13 the press. So, when you're dealing with press scrutiny  
14 of what you do, and in many instances, opponents of  
15 your executive branch as oversight committees of what  
16 you do and in many instances a seven member board of  
17 citizens to see to it that you respond in a socially  
18 responsible way, I think there is, indeed, in many and  
19 in fact, most instances, the type of separation that  
20 I've heard you all talk about.

21           MR. GLEASON: Mr. McCarthy, if I might  
22 weigh in here, we are public entities as Rebecca said,  
23 and I think in a very real sense, a great deal of  
24 oversight is by the public process is, in fact,

1 resident. I'm called before committees of our  
2 legislature to talk about the lottery, its operations.  
3 And just within the last ten days was before a  
4 legislative committee which was considering legislation  
5 with regard to advertising.

6 I think every successful head of a lottery  
7 in North America looks at themselves as accountable to  
8 the general public. I've always said there's kind of a  
9 simple statement that I try to go by and that is the  
10 lottery ought to be exactly what the citizens and the  
11 elected officials of the state of Kentucky want it to  
12 be. And that means that I have to keep an ongoing  
13 dialogue with those individuals.

14 And in the state of Kentucky, for example,  
15 if we choose to do video lottery, it would probably  
16 take an act of the general assembly for us to be able  
17 to do so which would involve a thorough public  
18 discussion of whether that was an appropriate venue for  
19 us to pursue. In trying to administer our social  
20 responsibility, our board, like the board of the  
21 Georgia lottery, recognizes that, you know, that we  
22 have a public obligation.

23 We've looked at what the yields out of  
24 those forms of games might be for Kentucky and have

1    adopted the philosophy that that is, and it's a formal  
2    stated policy found within the minutes of the Board of  
3    Directors of the Kentucky Lottery Corporation, that we  
4    would not pursue any of those venues unless so directed  
5    by the members of the General Assembly and the  
6    administration of the Kentucky state government. That  
7    is in a very real sense a limitation and we've all  
8    agreed that those are the boundaries by which we'll  
9    operate.

10                    Now, obviously, financial pressures can  
11    change a legislative body's decision as to whether they  
12    want to go down a certain road or not, but I think we  
13    have to rely on the public process to sort that out.

14                    I know you, I think your history is that  
15    you were an elected public official yourself and I  
16    think you must have faith in that process.

17                    COMMISSIONER MCCARTHY: If I could respond,  
18    I know Dr. McGowan has some remarks to make, I have  
19    faith in the process. I also have a keen awareness of  
20    the weakness of the process and one of the things we've  
21    been told repeatedly is that state officials at both  
22    executive and legislative levels have become so  
23    dependent upon revenues coming from lotteries because  
24    the philosophy of refusing to consider any kind of tax

1 increase in the country has become a sacred credo. So,  
2 lotteries are a godsend to those who have some favorite  
3 programs that they want to spend on. And how much  
4 conscious analysis of advertising or use of instruments  
5 to expand marketing of lottery sales weighs against the  
6 force of the need for revenue from lotteries because  
7 you don't want to vote for tax increases. I don't know  
8 how that weighs out even assuming there are many good  
9 people in elective office.

10 MR. MCGOWAN: Now, Commissioner McCarthy, I  
11 think your point is well taken. One of the things that  
12 was interesting earlier this morning that people were  
13 making the comments about what we learned about  
14 lotteries early in American history and the fact that  
15 when there was the great scandal in D.C. when the  
16 person who was running the lottery there ran off with  
17 the money and that closed the D.C. lottery.

18 But maybe we have a good lesson to learn  
19 from the old lotteries. The one interesting thing the  
20 old lotteries did, they were one time affairs. In  
21 other words, you built the yard, the buildings at  
22 Harvard Yard, you built the Erie Canal. In other  
23 words, the state didn't get dependent. In those days,  
24 in other words, you had a lottery for a good purpose of

1    which we're doing it now, but then that's when it  
2    ended.

3                   Obviously, we're not going to end the  
4    lottery, but I think one of the problems we're running  
5    into right now is illustrated in my home state of  
6    Pennsylvania. The funds for the Pennsylvania lottery  
7    are used for older citizens. So, it subsidizes mass  
8    transit and it subsidizes drugs for senior citizens in  
9    Pennsylvania. Well, as the price of drugs goes up,  
10   obviously, the lottery then has to raise more money.

11                   At one point, in the State of Pennsylvania,  
12   the lottery commissioner of Pennsylvania formed the  
13   biggest purchaser of drugs in the country because they  
14   were trying to buy their own drugs in order to serve  
15   the citizens. That's a problem. I think in general,  
16   the reasons why lotteries got sold were to do the good  
17   purpose.

18                   I think actually it was probably one of the  
19   worst things that's happened. If you're going to have a  
20   lottery, just put it in the general fund and do not  
21   make it specific for one purpose because as the expense  
22   of that one purpose goes up, in this state it's used  
23   for aid to local towns and cities. Obviously as the  
24   cost of a fire truck goes up or a police cruiser goes

1 up, you're putting incredible pressure on the lottery  
2 to raise more money because they are the people that  
3 are paying for that. In general, I think it's a bad  
4 idea to absolutely use lottery funds for a specific  
5 purpose. It's better to just keep it in the general  
6 fund.

7 CHAIRPERSON JAMES: Dr. McGowan, we did  
8 hear a really interesting perspective this morning  
9 taking a historical look at the lottery and how it has  
10 evolved, not over the years, but over the centuries.  
11 Just for the sake of the layman, what's the difference,  
12 and when we say lottery, it's almost with a very broad  
13 brush stroke, and the lottery of a century ago and your  
14 comments just now spark that and I don't think people  
15 are really focusing on the difference between what they  
16 perceive to be the lottery and a Keno game.

17 MR. MCGOWAN: Right. I mean, clearly we're  
18 talking about before the Civil War and up to 1840, I  
19 would say that was the first round of lottery play and  
20 then after the Civil War, Louisiana came out with a  
21 wonderful lottery called the serpent which was run by  
22 ex-Civil War generals and they were only used as a  
23 game.

1                   Clearly, by the way, technology has allowed  
2   us to have the various types of games that we have now,  
3   so when we talk about earlier in history, you just had  
4   a simple game where there was a simple drawing. That  
5   was it. Obviously, today we have daily number games.  
6   We have lotto games. We have the instant games. We  
7   have video poker. We have the Keno games.

8                   In this state, most resaurants you walk  
9   into, what I would say the Ground Round, not obviously  
10  the fancy restaurants, but the regular restaurants will  
11  all be playing Keno. For instance, every sports bar in  
12  this town has a Keno game played in it. In the old  
13  days, let's face it, it was more like the Irish  
14  Sweepstake mentality. It was kind of neat to buy a  
15  ticket every once in a while. Now, it's constantly put  
16  before you so there's a difference there.

17                  I also think it's one of the reasons why  
18  people get tired of playing games because familiarity  
19  breeds contempt. So, once again, if you're a lottery  
20  commissioner you've somehow got to keep your players  
21  interested, which is why the instant game thing is a  
22  better revenue for them.

23                  COMMISSIONER BIBLE: I have a question of  
24  Mr. Gleason and Ms. Paul. It's a little bit along the

1 same lines as Commissioner McCarthy's in terms of  
2 independent oversight and I gather, Mr. Gleason, from  
3 your biography that you're director of the West  
4 Virginia lottery. Were you before or after Mr. Bryan?

5 MR. GLEASON: Unfortunately, I was both.

6 COMMISSIONER BIBLE: Why don't you describe  
7 the circumstances that led to his resignation and  
8 eventual incarceration.

9 MR. GLEASON: Well, actually, Mr. Bryan was  
10 convicted of contract breaking in simple terms and went  
11 to federal prison. I don't know that we can throw out  
12 the baby with the wash. Unfortunately, you know, Mr.  
13 Bryan didn't conduct himself in an honorable way. That  
14 lottery has continued to operate appropriately as it  
15 should both before and after that event, but  
16 unfortunately, he did not conduct himself as do the  
17 great majority of lottery directors, virtually all  
18 lottery directors that I'm aware of did before and  
19 after.

20 COMMISSIONER BIBLE: And I guess my  
21 question would be, well, to both of you, what sort of  
22 ethical conduct applies to lottery directors and the  
23 employees and the commissioners in the lotteries in  
24 your jurisdictions? And secondly, what sort of

1   suitability standards do you subject your vendors to?  
2   I notice that you both use GTECH as your vendor and as  
3   you know, they've been involved in a lot of  
4   controversy. I read a rather lengthy Fortune Magazine  
5   article that suggests a large amount of wrongdoing  
6   within the corporate structure, within the corporate  
7   culture, the chairman just recently resigned after  
8   litigation in Great Britain. And I'm curious as to what  
9   steps or what investigations you take to determine the  
10  suitability of your vendors?

11               MR. GLEASON: Well, I'll speak on behalf of  
12  Kentucky and I think Rebecca certainly will speak on  
13  behalf of Georgia. There will be similarities in every  
14  state I think in the U.S. Every vendor of a major  
15  lottery specific product in Kentucky must undergo a  
16  thorough background investigation, is prohibited by  
17  statute from having any form of gambling or felony  
18  conviction. That is the same standard that is imposed  
19  as is in Georgia on every employee of the lottery.

20               From the standpoint of the employees, every  
21  employee, we have a formal code of ethics that was  
22  required for us to promulgate and go under  
23  administrative review by our authorizing statute or  
24  enabling legislation. I can only speak to my own

1 experience having had seven years of experience in  
2 dealing with the GTECH Corporation, and it's not up to  
3 us to defend them obviously, but we maintain an arms  
4 length relationship from them. Our standards require  
5 that we can't accept even a lunch from any vendor by  
6 our code of ethics. I have never had any experience  
7 with GTECH which was anything but honorable. And they  
8 have always delivered the service in a high caliber  
9 quality to the lotteries which I've administered.

10 MS. PAUL: Commissioner Bible, I think each  
11 state has it's own code of ethics, depending upon what  
12 is either in their statute devised by their board of  
13 directors or devised by their legislature. In Georgia,  
14 as an example, every employee goes through a criminal  
15 background check. All levels of management go through  
16 a much more extensive full criminal background check  
17 with members of the Georgia Bureau of Investigation,  
18 which we would call the GBI, actually flying to talk to  
19 your, I have to fly from Georgia, I grew up in Indiana,  
20 talk to your high school teachers and your next door  
21 neighbors and anybody you've ever done business with.  
22 Anyone you've every worked for, bosses, et cetera. All  
23 employees of the Georgia lottery are drug tested and  
24 follow the code of ethics that the legislature and our

1 board have decided are the appropriate level of  
2 controls on those employees.

3 In terms of GTECH Corporation, in all  
4 instances that I'm aware of, there is a very open, very  
5 public bidding process to select a vendor and certainly  
6 in my case, since I have zero technical skills as well  
7 as in what I believe to be most cases, the lottery  
8 director doesn't serve on the evaluation committees.  
9 They are committees of technical expertise et cetera to  
10 come through that selection process.

11 In Georgia's case, from the point in time  
12 that we sign a contract until the lottery began, and  
13 the one pressure that you both have talked about that  
14 was a very real pressure, students had been given HOPE  
15 scholarships and pre-kindergarten programs had been  
16 opened prior to the lottery beginning. So there was a  
17 very close, short time frame with which to start the  
18 lottery and we had 67 days to install computers with  
19 6,000 retailers and the performance was exemplary to  
20 make that happen so that revenues could come in under  
21 the time frames that were set up by the legislature.

22 COMMISSIONER BIBLE: Would it be helpful or  
23 harmful to have a third-party agency review your  
24 vendors for suitability and I think you mentioned just

1 a criminal standard? I recognize the corporation has  
2 not been convicted of any wrongdoing, although one of  
3 its officers has been charged with a fairly substantial  
4 charge, I believe, out of either New York or New  
5 Jersey, but would it be helpful to have, to have third-  
6 party scrutiny of your vendors in terms of suitability?

7 MR. GLEASON: Well, I think that's what our  
8 background investigations are determined to do in their  
9 suitability from a standpoint of being able to deliver  
10 the service. We do and we retained in the case of our  
11 request for proposal, an outside consulting firm to  
12 help us determine the technical capabilities and help  
13 to review that and we retained the Battel Memorial  
14 Institute who is one of the largest consulting firms in  
15 the world. But from the standpoint, I'm not sure--

16 COMMISSIONER BIBLE: And I don't mean to  
17 put you on the spot. GTECH was invited to appear on  
18 this panel and apparently declined.

19 MS. PAUL: In terms of a third-party, our  
20 background checks are done by the Georgia Bureau of  
21 Investigation and it's the Georgia Bureau of  
22 Investigation that either clears or doesn't clear  
23 someone that we either do business with or we hire.

1                   COMMISSIONER BIBLE:       Is that mostly  
2 criminal in nature or is it also business practice in  
3 nature? I assume you review the product.

4                   MS. PAUL:       The Georgia Bureau of  
5 Investigation wouldn't judge technology.

6                   COMMISSIONER BIBLE:   No. I'm thinking  
7 about business practices versus an arrest record. Did  
8 you review the work product? Do they submit the  
9 investigative report to you? Do you see the  
10 investigative report?

11                  MS. PAUL: Yes.

12                  COMMISSIONER BIBLE: Does it also include  
13 criminal justice information or does it include an  
14 evaluation of their business practices?

15                  MS. PAUL: I'd have to know more of a  
16 definition by what you mean of evaluation of business  
17 practices. But the Georgia Bureau of Investigation  
18 certainly cleared the Georgia lottery to do business  
19 with any of the companies that we do business with.

20                  COMMISSIONER BIBLE: Well, for instance, do  
21 you see a list of litigation that they're involved in,  
22 whether they're a plaintiff or a defendant, whether  
23 they're successful or not successful?

24                  MS. PAUL: Yes.

1                   COMMISSIONER BIBLE:    You do?    So, that's  
2   included within the product that's delivered to you.

3                   MR. GLEASON:   We would review all their SEC  
4   filings    which    they    have    mandatory    disclosure  
5   requirements of all those matters as would every  
6   lottery in the country.   And there's a great deal of  
7   communication among the lotteries as it relates to  
8   security and business practices and how these companies  
9   have conducted themselves, not just GTECH but every  
10   vendor that delivers services within the industry of  
11   that nature.

12                  CHAIRPERSON JAMES:   How many, excuse me,  
13   how many companies are there in the industry that  
14   deliver those types of services?

15                  MR. GLEASON:    Well presently there are  
16   three vendors who provide, who are providers, the  
17   computer services like GTECH does throughout the state-  
18   -

19                  CHAIRPERSON JAMES:   In how many states?

20                  MR. GLEASON:    --and there's at least two  
21   more that appear to be entering the market.

22                  CHAIRPERSON JAMES:   Ms. Paul, how many  
23   states does GTECH currently manage?

1                   COMMISSIONER BIBLE:       There is a list  
2 attached to your--

3                   MR. GLEASON:    I think they have around 26  
4 or 28 of the jurisdictions.

5                   COMMISSIONER BIBLE:    I didn't hear your  
6 response.

7                   CHAIRPERSON JAMES:    I'm sorry?

8                   MR. GLEASON:    They have around 26 or 28, I  
9 believe, of the U.S. lotteries are there.

10                  CHAIRPERSON JAMES:    28 of the United States  
11 lotteries are managed by GTECH; is that correct?

12                  MS. PAUL:    Every lottery is managed by--

13                  MR. GLEASON:    They provide a service.

14                  CHAIRPERSON JAMES:    Provide the services.  
15 I'm sorry.

16                  MR. GLEASON:    Let me, maybe this will help  
17 the panel. I'd like to clarify something else. We, I  
18 said earlier we maintain an arms length relationship.  
19 We have a very formal and detailed contract and request  
20 for proposal, that, you know, specified exactly what it  
21 was that the vendor is to deliver to us. Our contract  
22 is 100 pages in length over and above the proposal. We  
23 administer that contract. We hold them accountable for  
24 the delivery of the services and if necessary we

1   enforce the penalty provisions of the contract to  
2   ensure that that happens. I mean, every lottery in  
3   this country takes integrity not only of its product  
4   but of its institution and the services it delivers as  
5   the most important attribute it has to maintain the  
6   public's confidence in it.

7                   COMMISSIONER BIBLE: But it certainly seems  
8   to have been some controversy attached to the industry.  
9   I can think of, and I can't of her name in Colorado  
10  with Scientific Games, the awarding of that particular  
11  contract, Mr. Bryan in West Virginia. There's been,  
12  you know, there have been difficulties within the  
13  industry, some of the practices and principally the  
14  relationship between the vendors and the lottery  
15  employees or directors.

16                  MR. GLEASON: Oh, I think in every instance  
17  corrective actions have been taken as necessary and  
18  behavior has been modified.

19                  CHAIRPERSON JAMES: So, you're satisfied?

20                  MR. GLEASON: I'm satisfied with the way  
21  the vendors have dealt with us. I think the lotteries  
22  insist on integrity in the way they deal with them, I  
23  guess it's been said, I don't know whether it was said  
24  by the panel, unfortunately you can't legislate

1 morality. If somebody chooses to conduct themselves in  
2 a less than honorable way, I'm not saying that GTECH  
3 has, but in the case of Mr. Bryan, you know, the system  
4 did work.

5 COMMISSIONER BIBLE: Has the lottery  
6 association itself adopted or suggested any kind of  
7 guidelines for ethical conduct for compliance matters  
8 as to how vendors deal with the state agencies?

9 MS. PAUL: The North American Association  
10 of State and Provincial Lotteries believes that that's  
11 a states' rights issue and each state should determine  
12 what the code of ethics should be for their state and  
13 that certainly has taken place and that is dealt with  
14 in every state, but it's not the association's purview  
15 to get into the business of what the states choose or  
16 choose not to do.

17 COMMISSIONER BIBLE: So, it varies state by  
18 state?

19 MS. PAUL: Yes.

20 MR. GLEASON: In West Virginia, for  
21 example, it was statutory as to what the ethical  
22 requirements of all the state officials, which included  
23 the lottery director, and the employees in the Kentucky  
24 or West Virginia Lottery, excuse me.

1 COMMISSIONER BIBLE: Thank you.

2 CHAIRPERSON JAMES: Any other questions?

3 COMMISSIONER MCCARTHY: Just one to add on  
4 to Commissioner Bible's comment. Are you aware of  
5 whether the governor's association has addressed the  
6 issue of a code of ethics in the administration of  
7 state lotteries?

8 MR. GLEASON: No, sir. I'm not.

9 MR. DePHILLIPPO: I attended a council  
10 state government's meeting and there was something  
11 there about that.

12 MS. PAUL: I think each state takes very  
13 seriously the integrity of its lottery and it may not  
14 always be the governor that you report to. In  
15 Massachusetts as an example, they report to the state  
16 treasurer. So I think each entity deals with it very  
17 specifically but we all don't report to governors.

18 CHAIRPERSON JAMES: Any other questions? I  
19 can't believe that we're ahead of schedule, but that's  
20 okay. That's a good thing.

21 Any other question or discussion for this  
22 panel. Well, I'd like to thank you, very much for a  
23 very interesting and very lively and very informative  
24 discussions and we look forward to your continued

1 participation as we go through our process and thank  
2 you for being here.

3 In looking at our schedule, we're about 45  
4 minutes ahead of time. What is the will of the  
5 Commission at this point? I think because of our  
6 panelists who are prepared to come this afternoon that  
7 it's a little difficult to start earlier and because of  
8 the public comment period, so I would suggest that we  
9 have a break and a good lunch.

10 COMMISSIONER LANNI: Madam Chair?

11 CHAIRPERSON JAMES: Yes.

12 COMMISSIONER LANNI: One matter, it's been,  
13 during one of the breaks, it was raised and brought to  
14 my attention that a number of people in the media are  
15 concerned that we don't have a media room available for  
16 them at each of our locations which would facilitate  
17 their contacts with their various home bases. So, on  
18 their behalf, I am recommending that staff provide  
19 some. I know it's probably money, but at the same  
20 time, I think we do have a responsibility, wherever  
21 possible, to have information available to the public  
22 as a result of the media. Following this, I would  
23 respectfully request that staff consider a manner in  
24 which we could have this arranged, maybe through some

1 cooperative involvement with one of the other agencies  
2 that we talked about before funding.

3 CHAIRPERSON JAMES: We will do everything  
4 in our effort that the media is accommodated. Any--

5 COMMISSIONER DOBSON: Madam Chair?

6 CHAIRPERSON JAMES: Dr. Dobson.

7 COMMISSIONER DOBSON: Would this be a good  
8 time for me to hear of what Mr. Lanni said about me in  
9 my absence?

10 CHAIRPERSON JAMES: Why not, we need  
11 something right before lunch.

12 COMMISSIONER LANNI: Commissioner Dobson  
13 always assumes the worst. Actually, we are graduates  
14 of the same alma mater, have the same feelings on a  
15 number of different issues.

16 My comment that I raised, Mr. Dobson, in  
17 your absence, was the determination and the request of  
18 the determination of counsel to this Commission, as to  
19 the appropriate aspect of any member of the Commission  
20 issuing reports relative to the Commission's work. I  
21 had understood at our discussions in Dulles Airport,  
22 some few meetings ago, that all press releases relative  
23 to the Commission work were going to be handled through  
24 the chair and through the Commission's offices itself.

1 And I merely asked for an interpretation of the  
2 appropriateness of any Commissioner, obviously with  
3 reference to your recent press release relative to this  
4 meeting here in Boston.

5 COMMISSIONER DOBSON: It's that simple. I  
6 would recall that the decision was, which is very  
7 appropriate that any official statement by the  
8 Commission should be released through the Commission  
9 staff and with the approval of the Commissioners. That  
10 does not mean that each of us is muzzled with reference  
11 to our own opinions, and I will not be so muzzled. I  
12 have a radio program everyday and I will talk about  
13 this subject or anything else that I choose to. And  
14 I'm not going to ask the Commission what I can talk  
15 about, nor will I ask who I can talk to on the press,  
16 in the press, as a private individual.

17 As a matter of fact, a member of this  
18 Commission is quoted in the Las Vegas Sun yesterday,  
19 so, again, I don't know what the rules are but they're  
20 going to apply equally to everybody, and I'm not going  
21 to be muzzled for a year and a half and not be able to  
22 express my own views about the work of this Commission.  
23 If that disappoints you, I'm sorry.

1                   COMMISSIONER LANNI: Commissioner Dobson, I  
2 merely have asked for a legal opinion. If that upsets  
3 you, you'll have to be upset.

4                   COMMISSIONER DOBSON: I also understand you  
5 made a comment about my not being here the last 30  
6 minutes?

7                   COMMISSIONER LANNI: No, my comment, again,  
8 sir, I wish you weren't so defensive, really, but the  
9 point was very simple. I merely said I wish--

10                  COMMISSIONER DOBSON: If you didn't attack  
11 me, I would not be so defensive.

12                  COMMISSIONER LANNI: Commissioner, I am not  
13 attacking you. If you feel it's an attack, that is  
14 certainly your right. My point was that I commented,  
15 and again, you always like to quote me when you're not  
16 here and you should really be here to hear me if you  
17 want to do that. I merely said, I'm sorry--

18                  COMMISSIONER DOBSON: That's why I asked  
19 what you were saying, Mr. Lanni.

20                  COMMISSIONER LANNI: I will say, Mr.  
21 Gleason raised the issue that reminded me about, he had  
22 referred to comments that you had made. As a result of  
23 that, it reminded me that it was a question I wanted to  
24 put before counsel of this Commission. I began the

1 comments, the transcripts, once again, as I indicated  
2 to you once before in a prior meeting, will indicate  
3 that I said I wish Commissioner Dobson were here. I  
4 wasn't complaining about the fact that you had, for  
5 whatever reasons, I think each of us have stepped out  
6 from time to time. And I certainly do not begrudge you  
7 or myself the right to do that.

8 I merely stated that I was sorry that you  
9 weren't here, but I know that representatives of your  
10 organization and you personally were here, so I did not  
11 think that you would not get the message.

12 COMMISSIONER DOBSON: I got it.

13 CHAIRPERSON JAMES: Let me just take the  
14 Chair's prerogative to say that I am happy to turn this  
15 over to counsel to take a look at. But I do believe  
16 that when we discussed this issue that it was very  
17 clear that individual members could continue to make  
18 any kind of statements that they felt or deemed  
19 appropriate, but that they would not represent the  
20 views of the Commission. And when I asked to see a  
21 copy of the press release, and it was released on Focus  
22 on the Family stationary and it was Dr. Dobson's  
23 opinion and he was releasing information that had been  
24 collected by his organization. Having said that, if

1 you'd like further clarification, I'd have no problem  
2 with asking Mr. Terwilliger to look at that and look at  
3 it in terms of our particular rules operating  
4 commission.

5               We have nine very outspoken individuals and  
6 I doubt that any one of them will be ever muzzled, and  
7 I doubt that anyone would ever even hint at the  
8 suggestion that any individual member of this  
9 Commission could not or should not address the media to  
10 represent their own particular views. And having said  
11 that,--

12               COMMISSIONER BIBLE: Well, I want to add my  
13 perspective--

14               CHAIRPERSON JAMES: Absolutely.

15               COMMISSIONER BIBLE: From my perspective, I  
16 really don't care what any member of the Commission  
17 says in terms of the radio shows or their private life  
18 or what they talk about to reporters. I would kind of  
19 like to see a copy of the press release if you're going  
20 to issue one so I at least have a chance to take a look  
21 at it before I have a reporter on the phone asking me  
22 to comment on it. That's just a procedural aspect. I  
23 don't think is a particularly--

1                   COMMISSIONER DOBSON: I'd be happy to send  
2 copies of any press releases to every member of the  
3 Commission. I would assume that you would not think  
4 that would apply to interviews as well?

5                   COMMISSIONER BIBLE: Oh, no, just press  
6 releases.

7                   COMMISSIONER WILHELM: All I can say is  
8 you'd better load up your fax machine.

9                   COMMISSIONER BIBLE: Well, it's just  
10 helpful though if you read the document before you have  
11 a reporter reading it to you and asking you to respond.

12                  CHAIRPERSON JAMES: You know, I think we  
13 all suffer under that. I had a reporter calling me  
14 last week asking about a letter that was from a  
15 governor, and I had to call and get someone to send it  
16 to me because he released it to the press before he  
17 sent it to me.

18                  COMMISSIONER BIBLE: And that's going to  
19 happen.

20                  CHAIRPERSON JAMES: And that's going to  
21 happen. But in the interest of communication, I think  
22 it is helpful when we share those things with fellow  
23 Commissioners, and I don't think we're going to muzzle  
24 up here. That's not going to happen.

1 Commissioner Leone.

2 COMMISSIONER LEONE: I do have, I  
3 certainly don't want this to be misconstrued as a  
4 negative comment about the press which, of course, I  
5 would never make, but I do think that in the interest  
6 of moving the discussion along constructively, one of  
7 the problems we have is that sometimes the only way it  
8 seems possible to communicate on the substance of  
9 matters or to inject our opinions or reactions into the  
10 proceedings is because a reporter, they don't stop me  
11 or Paul here, but they stop some of the people who have  
12 much higher profiles, quite appropriately and then the  
13 comments come back to us and maybe one way too, I don't  
14 think we're dealing with people who are shy in my  
15 colleagues.

16 I think maybe one way is to build into the  
17 program some opportunity for us to talk. Since we're  
18 in the public anyway and we're talking about things  
19 that are going to be reported in the press anyway,  
20 first of all, I think give the press a better story  
21 which, of course, is not a trivial goal, but in  
22 addition, I think it would be healthier for the  
23 meetings of the group.

1 I, you know, often feel left out, and I  
2 don't want to importune people to keep you sure and let  
3 me, give me a heads up. Frankly, nobody even asked me  
4 to comment on the comments, so I'm in pretty good  
5 shape, but I'm interested. I'm curious. I like to--

6                   CHAIRPERSON JAMES:       Now, Dick, when you  
7 talk about more opportunity to talk, you mean in an  
8 informal setting?

9 COMMISSIONER LEONE: Among ourselves in an  
10 informal way as we're doing now. I think--

11 CHAIRPERSON JAMES: Well, we've got 45  
12 minutes.

13 COMMISSIONER LEONE: I'm not proposing it.  
14 I'm not ready, but I do think that might be a useful  
15 thing to do and I think, I'd urge my colleagues, fellow  
16 Commissioners to come forward with their comments as  
17 we're going along.

CHAIRPERSON JAMES: Yes. And you know that I try periodically to include such things like that in our schedule and in our agenda to sort of force that to happen. But by the same token, I think if the Commission continues to operate under one of my old axioms, which is never attribute to malice what can more easily be attributed to , and then fill

1 in the blank, and if we hold each other to that  
2 standard, we'll be just fine.

3 I'd be happy to sit here. We don't have to  
4 leave and we can chat. We can talk and bond. I think  
5 we should all have a group hug.

6 With that, the Commission needs to recess  
7 until after lunch.

8 (Whereupon, at 12:17 p.m., the meeting was  
9 adjourned for a luncheon recess.)